

NO. LTC # 259-2012

## LETTER TO COMMISSION

TO:

Mayor Matti Herrera Bower and Members of the City Commission

FROM:

Kathie G. Brooks, Interim City Manager

DATE:

October 9, 2012

SUBJECT: Health Care Costs

CITY CLERK'S OFFICE

This Letter to Commission is to provide an update on the City's medical plan costs, in particular, an analysis of the individual medical plan costs versus the premiums paid by both the employees and the City as requested during the Committee of the Whole on August 29, 2012.

The plan premium costs for the 2012 Plan Year, January 1 through December 31, 2012, were determined using the medical plan's total costs for the twelve month period beginning September 2010 and ending August 2011, including a 10% adjustment for cost increases. These premiums are supposed to provide all funding for the medical plan. This projected premium cost was determined by actuarial assumptions based on the claims expense; fixed costs paid to the plan administrator, Humana, which include claim administration, provider network, and disease management fees; and stop-loss premiums paid to insure that the City's individual per participant costs are capped at \$230,000 annually. For the 2012 Plan Year, the total premium cost was projected to be \$17.9 million.

For your reference, Attachment A reflects the City's self-funded medical plan experience for each of the City's self-funded years, beginning in 2010 and ending in August 2012. The Attachment reflects the medical plan enrollment by active employees, pre-65 retirees and post-65 retirees, the total monthly medical plan premium, the total claims paid, the medical plan's fixed costs, the total medical plan expense and the loss ratio (the percentage of claims paid and plan costs over the premium collected) for each individual plan, and enrollment group.

The issue of the premiums paid for each plan offered by the City has been referred to the Budget Advisory Committee (BAC) for their review and recommendation. The Administration is working with our benefit plan consultant to provide the BAC with alternatives to the City's current medical plan options, including reviewing the cost components of the current medical plan to determine areas of cost reduction; changes in plan benefit coverage that share more of the plan costs with employees, therefore reducing premium costs; comparing the City's plans to other employers (both in the private and public sectors) to determine plan efficiencies; and reviewing the self-funded plan experience of other employers based on their filing with the State.

In addition, for the 2012 Plan Year, the City's benefit plan consultant, Gallagher Benefit Services, has projected total medical plan costs of \$19.1 million as of September 24, 2012,

based on the prior twelve months of actual claims experience from September 2011 through August 2012. It is important to note that this includes the impact of the claim experience from September 2011 through December 2011, which was 28% higher than the rest of Calendar year 2011, and 22% higher than the experience of January 2012 through August 2012. If this end of year large claim trend continues, there will be a significant deviation from the current plan projections and the medical plan will experience a shortfall in funding that will need to be made up through additional charge backs to departments. A review of projected claims vs. 2013 premiums will also be discussed with the BAC on October 16, 2012.

Should you have any questions, or need additional information, please feel free to contact me.

Attachment

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## Attachment A

City of Miami Beach Medical Plan Experience by Plan and Enrollee Class

## City of Miami Beach Medical Plan Experience by Plan and Enrollee Class

|              |                 |          | Average Enrollees |         | T.       | Premlum Rate                            |         |        |              |              | Fixed       | Total          | Total      |
|--------------|-----------------|----------|-------------------|---------|----------|---|---------|--------|--------------|--------------|-------------|----------------|------------|
| Plan         | Class           | Period   | EE                | Familiy |          | EE                                      |         | amilly | Premium      | Claims       | Costs       | Expense        | Loss Ratio |
| Standard HMO | Active          | 2010     | 505               | 364     | \$       | 357.59                                  | \$ 8    | 86,31  | \$6,044,617  | \$5,718,301  | \$742,583   | \$6,460,884    | 106.9%     |
|              |                 | 2011     | 485               | 375     | \$       | 393,35                                  | \$ 9    | 74.94  | \$6,670,677  | \$8,664,637  | \$802,399   | \$9,467,036    | 141.9%     |
|              |                 | 2012 YTD | 496               | 381     | \$       | 458,76                                  | \$ 1,1  | 37.07  | \$4,622,428  | \$4,031,576  | \$646,149   | \$4,677,726    | 101.2%     |
|              |                 | Subtotal | 496               | 373     | _        |   |         |        | \$17,337,722 | \$18,414,514 | \$2,191,131 | \$20,605,645   | 118.8%     |
|              | Pre 65 Retiree  | 2010     | 48                | 24      | \$       | 357.59                                  | \$ 8    | 86,31  | \$462,629    | \$362,160    | \$59,616    | \$421,777      | 91.2%      |
|              |                 | 2011     | 50                | 36      | \$       | 393,35                                  | \$ 9    | 74.94  | \$652,498    | \$1,277,341  | \$79,260    | \$1,356,601    | 207.9%     |
|              |                 | 2012 YTD | 59                | 39      | \$       | 458.76                                  | \$ 1,1  | 37.07  | \$502,621    | \$984,017    | \$71,562    | \$1,055,579    | 210.0%     |
|              |                 | Subtotal | 52                | 33      |          |   |         |        | \$1,617,747  | \$2,623,518  | \$210,439   | \$2,833,957    | 175.2%     |
| Premium HMO  | Active          | 2010     | 67                | 53      | \$       | 590.59                                  | \$ 1,4  | 63.86  | \$1,400,842  | \$1,892,387  | \$102,803   | \$1,995,190    | 142.4%     |
|              |                 | 2011     | 61                | 48      | \$       | 649.65                                  | \$ 1,6  | 10.25  | \$1,402,398  | \$1,535,101  | \$101,872   | \$1,636,978    | 116.7%     |
|              |                 | 2012 YTD | 53                | 32      | \$       | 757.68                                  | \$ 1,8  | 78.02  | \$704,411    | \$1,016,874  | \$61,466    | \$1,078,340    | 153.1%     |
|              |                 | Subtotal | 60                | 44      |          | *************************************** |         |        | \$3,507,652  | \$4,444,362  | \$266,141   | \$4,710,503    | 134.3%     |
|              | Pre 65 Retiree  | 2010     | 76                | 42      | \$       | 590.59                                  | \$ 1,4  | 63,86  | \$1,279,897  | \$1,642,260  | \$98,631    | \$1,740,892    | 136.0%     |
|              | }               | 2011     | 70                | 40      | \$       | 649.65                                  | \$ 1,6  |        | \$1,311,197  | \$2,373,096  | \$99,354    | \$2,472,450    | 188.6%     |
|              | 1               | 2012 YTD | 65                | 35      | \$       | 757.68                                  | \$ 1,8  | 78.02  | \$807,132    | \$1,042,423  | \$71,567    | \$1,113,990    | 138.0%     |
|              | -               | Subtotal | 70                | 39      |          |   |         |        | \$3,398,226  | \$5,057,779  | \$269,553   | \$5,327,332    | 156.8%     |
| Standard PPO | Active          | 2010     | 33                | 11      | \$       | 698.90                                  | \$ 1,7: | 14.73  | \$507,489    | \$202,216    | \$35,422    | \$237,638      | 46.8%      |
|              |                 | 2011     | 31,               | 1.7     | \$       | 768,79                                  | \$ 1,88 |        | \$663,579    | \$851,407    | \$43,018    | \$894,425      | 134.8%     |
|              | 1               | 2012 YTD | 28                | 8       | \$       | 896.63                                  | \$ 2,19 |        | \$302,841    | \$226,130    | \$24,481    | \$250,610      | 82,8%      |
|              |                 | Subtotal | 30                | 12      |          | ****                                    |         |        | \$1,473,909  | \$1,279,753  | \$102,921   | \$1,382,673    | 93.8%      |
|              | Pre 65 Retiree  | 2010     | 25                | 16      | \$       | 698,90                                  | \$1,7   | 14.73  | \$529,943    | \$395,265    | \$34,129    | \$429,394      | 81,0%      |
|              |                 | 2011     | 21                | 1.6     | \$       | 768.79                                  | \$1,88  | 36.20  | \$554,419    | \$283,729    | \$34,505    | \$318,235      | 57.4%      |
|              | 1               | 2012 YTD | 23                | 14      | \$       | 896.63                                  | \$ 2,19 | 1      | \$357,337    | \$465,710    | \$26,600    | \$492,311      | 137.8%     |
|              |                 | Subtotal | 23                | 15      | ···      | *************************************** |         |        | \$1,441,699  | \$1,144,705  | \$95,234    | \$1,239,939    | 86,0%      |
|              | Post 65 Retiree | 2010     | 37                | 33      | \$       | 534.63                                  | \$ 1,15 | 55,88  | \$689,410    | \$427,301    | \$60,385    | \$487,686      | 70.7%      |
|              |                 | 2011     | 42                | 39      | \$       | 588.09                                  | \$ 1,28 |        | \$891,174    | \$527,086    | \$76,554    | \$603,640      | 67.7%      |
|              |                 | 2012 YTD | 43                | 43      | \$       | 685.89                                  | \$ 1,48 |        | \$654,342    | \$353,083    | \$64,864    | \$417,948      | 63,9%      |
|              |                 | Subtotal | 41                | 38      | <u> </u> |   |         |        | \$2,234,926  | \$1,307,470  | \$201,803   | \$1,509,273    | 67,5%      |
| Premlum PPO  | Active          | 2010     | 19                | 5       | \$1      | ,186.85                                 | \$ 2,91 | 10.64  | \$441,567    | \$567,976    | \$18,808    | \$586,784      | 132.9%     |
|              |                 | 2011     | 14                | 3       |          | ,304,99                                 | \$ 3,20 |        | \$326,670    | \$100,597    | \$13,927    | \$114,524      | 35,1%      |
|              |                 | 2012 YTD | 8                 | 3       |          |   | \$ 3,73 |        | \$163,649    | \$99,396     | \$7,601     | \$106,997      | 65.4%      |
|              |                 | Subtotal | 13                | 4       |          | ·····                                   |         |        | \$931,885    | \$767,968    | \$40,336    | \$808,305      | 86.7%      |
|              | Pre 65 Retiree  | 2010     | 36                | 11      | \$1      | ,186.35                                 | \$ 2,91 | 10.64  | \$886,789    | \$992,858    | \$37,230    | \$1,030,088    | 116,2%     |
|              |                 | 2011     | 31                | 8       |          |   | \$ 3,20 |        | \$767,084    | \$559,523    | \$32,348    | \$591,871      | 77.2%      |
|              |                 | 2012 YTD | 25                | 4       | \$1      | ,522.00                                 | \$ 3,78 | 34.12  | \$380,586    | \$329,715    | \$19,223    | \$348,937      | 91.7%      |
|              |                 | Subtotal | 30                | 8       |          | · · · · · · · · · · · · · · · · · · ·   |         |        | \$2,034,459  | \$1,882,096  | \$88,801    | \$1,970,897    | 96.9%      |
|              | Post 65 Retiree | 2010     | 11.0              | 61      | \$       | 907,46                                  | \$ 1,96 | 2.05   | \$2,636,644  | \$1,694,247  | \$143,047   | \$1,837,294    | 69,7%      |
|              |                 | 2011     | 102               | 53      | \$       |   | \$ 2,17 |        | \$2,614,255  | \$1,411,705  | \$139,827   | \$1,551,532    | 59,3%      |
|              |                 | 2012 YTD | 97                | 45      | \$1      | ,164.21                                 | \$ 2,52 | 29,03  | \$1,584,613  | \$698,729    | \$99,784    | \$798,513      | 50.4%      |
|              |                 | Subtotal | 103               | 53      |          | ·                                       |         |        | \$6,835,513  | \$3,804,681  | \$382,658   | \$4,187,339    | 61,3%      |
| POS          | Active          | 2010     | 5                 | 6       | \$       | 658.12                                  | \$ 1,63 | 2.95   | \$161,958    | \$137,926    | \$10,060    | \$147,986      | 91.4%      |
|              |                 | 2011     | 2                 | 8       | \$       | 723.93                                  | \$ 1,79 | 6.25   | \$186,249    | \$273,620    | \$10,567    | \$284,187      | 152.6%     |
|              | ]               | 2012 YTD | 3                 |         | \$       | 844.31                                  |         | - 1    | \$106,156    | \$152,254    | \$7,364     | \$159,618      | 150.4%     |
|              |                 | Subtotal | 4                 | 7       |          |   |         |        | \$454,364    | \$563,799    | \$27,991    | \$591,791      | 130.2%     |
|              | Pre 65 Retiree  | 2010     | 8                 |         | \$       | 658.12                                  | \$ 1,63 | 2.95   | \$166,055    | \$352,731    | \$11,222    | \$363,953      | 219.2%     |
|              |                 | 2011     | 9                 |         |          | 723.93                                  |         | - 1    | \$161,509    | \$308,157    | \$11,290    | \$319,446      | 1,97.8%    |
|              |                 | 2012 YTD | 9                 | i i     |          | 844.31                                  |         | - 1    | \$1.13,539   | \$271,685    | \$9,288     | \$280,974      | 247,5%     |
|              |                 | Subtotal | 9                 | 4       | <u></u>  |   |         |        | \$441,103    | \$932,573    | \$31,800    | \$964,373      | 218.6%     |
|              | Post 65 Retiree | 2010     | 12                |         | \$       | 511.15                                  | \$ 1,10 | 5.17   | \$168,816    | \$113,989    | \$16,035    | \$130,023      | 77.0%      |
|              | [ ]             | 2011     | 14                |         | \$       | 562,27                                  |         |        | \$215,961    | \$132,215    | \$20,263    | \$152,478      | 70.6%      |
|              |                 | 2012 YTD | 14                |         | \$       | 655.77                                  |         |        | \$184,469    | \$129,422    | \$1,9,500   | \$148,922      | 80.7%      |
|              |                 | Subtotal | 13                | 9       |          |   |         |        | \$569,247    | \$375,626    | \$55,797    | \$431,424      | 75.8%      |
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|                   |  |                      | Me        | dical Plan | City of Miami Beach<br>Experience by Plan and  | Enrollee Class |                          |                       |              |            |
| L                 |  |                      |           |            |  |                |                          |                       | ~            |            |
|                   | <del></del>                            |                      | Average I | nrollees   | Premium Rate   |                |                          | Fixed                 | Total        | Total      |
| Plan              | Class                                  | Period               | EE        | Familiy    | EE Famili  | Premium        | Claims                   | Costs                 | Expense      | Loss Ratio |
| Total By Year     |  |                      |           |            |  |                |                          |                       | T .          |            |
| Total 2010        | ļ                                      | 2010                 | 979       | 639        |  | \$15,376,656   | \$14,499,616             | \$1,369,971           | \$15,869,586 | 103.2%     |
| Total 2011        |  | 2011                 | 931       | 653        |  | \$16,417,671   | \$18,298,213             | \$1,465,185           | \$19,763,398 | 120.4%     |
| Total 2012 YTD    |  | 2012 YTD             | 924       | 626        | ., .,  | \$10,484,125   | \$9,801,015              | \$1,129,451           | \$10,930,466 | 104.3%     |
| 2010 - 2012 YTD   |  | Total                | 945       | 639        |  | \$42,278,452   | \$42,598,844             | \$3,964,607           | \$46,563,451 | 1.10.1%    |
| Subtotal By Plan  | 1                                      |                      |           |            |  |                |                          |                       |              |            |
| Standard HMO      |  | 2010                 | 553       | 389        | Jankan, heiddined flysge - Mid   | \$6,507,246    | \$6,080,461              | \$802,199             | \$6,882,660  | 105.8%     |
|                   |  | 2011                 | 535       | 410        |  | \$7,323,175    | \$9,941,978              | \$881,659             | \$10,823,637 | 147,8%     |
|                   |  | 2012 YTD             | 555       | 420        |  | \$5,125,049    | \$5,015,593              | \$717,712             | \$5,733,305  | 111.9%     |
|                   |  | Subtotal             | 548       | 406        |  | \$18,955,470   | \$21,038,032             | \$2,401,570           | \$23,439,602 | 123.7%     |
| Premium HMO       |  | 2010                 | 142       | 95         |  | \$2,680,739    | \$3,534,647              | \$201,434             | \$3,736,082  | 139.4%     |
|                   |  | 2011                 | 131       | 88         |  | \$2,713,595    | \$3,908,197              | \$201,227             | \$4,109,423  | 151.4%     |
|                   |  | 2012 YTD             | 119       | 67         |  | \$1,511,544    | \$2,059,297              | \$133,033             | \$2,192,331  | 145.0%     |
|                   |  | Subtotal             | 130       | 83         |  | \$6,905,877    | \$9,502,141              | \$535,694             | \$10,037,836 | 145.4%     |
| Standard PPO      |  | 2010                 | 94        | 60         |  | \$1,726,841    | \$1,024,782              | \$129,935             | \$1,154,717  | 66.9%      |
|                   | *                                      | 2011                 | 94        | 71         |  | \$2,109,172    | \$1,662,222              | \$154,078             | \$1,816,300  | 86,1%      |
|                   |  | 2012 YTD             | 93        | 65         |  | \$1,314,521    | \$1,044,924              | \$115,945             | \$1,160,869  | 88.3%      |
|                   |  | Subtotal             | 94        | 65         |  | \$5,150,534    | \$3,731,927              | \$399,958             | \$4,131,886  | 80.2%      |
| Premium PPO       |  | 2010                 | 165       | 77         |  | \$3,965,001    | \$3,255,081              | \$199,085             | \$3,454,166  | 87.1%      |
|                   |  | 2011                 | 146       | 64         |  | \$3,708,009    | \$2,071,825              | \$186,102             | \$2,257,928  | 60,9%      |
|                   |  | 2012 YTD             | 130       | 52         |  | \$2,128,847    | \$1,127,839              | \$126,608             | \$1,254,447  | 58.9%      |
|                   | was taken of the same of               | Subtotal             | 147       | 64         |  | \$9,801,857    | \$6,454,745              | \$511,796             | \$6,966,541  | 71,1%      |
| POS               |  | 2010                 | 25        | 19         |  | \$496,830      | \$604,645                | \$37,317              | \$641,962    | 129.2%     |
|                   |  | 2011                 | 25        | 20         |  | \$563,719      | \$713,992                | \$42,119              | \$756,111    | 134.1%     |
|                   |  | 2012 YTD<br>Subtotal | 27<br>26  | 22         |  | \$404,164      | \$553,362<br>\$1,871,998 | \$36,153<br>\$115,589 | \$589,514    | 145,9%     |
|                   |  | Subtotal             |           | 20]        |  | \$1,404,714    | \$1,8/1,998              | \$112,589             | \$1,987,587  | 135.7%     |
|                   |  |                      |           |            |  |                |                          |                       |              |            |
| Total By Enrollee | Class                                  | <u></u>              |           |            | The state of the s |                |                          |                       |              |            |
| Active            |  | 2010                 | 628       | 440        |  | \$8,556,474    | \$8,518,805              | \$909,675             | \$9,428,480  | 110.2%     |
|                   |  | 2011                 | 593       | 450        |  | \$9,249,573    | \$11,425,361             | \$971,784             | \$12,397,145 | 134.0%     |
|                   |  | 2012 YTD             | 588       | 430        | ·  | \$5,899,486    | \$5,526,230              | \$747,061             | \$6,273,291  | 106.3%     |
|                   |  | Subtotal             | 603       | 440        |  | \$23,705,532   | \$25,470,397             | \$2,628,520           | \$28,098,917 | 118.5%     |
| Pre MC Retirees   |  | 2010                 | 192       | 98         |  | \$3,325,313    | \$3,745,274              | \$240,829             | \$3,986,103  | 119,9%     |
|                   |  | 2011                 | 180       | 103        |  | \$3,446,707    | \$4,801,845              | \$256,758             | \$5,058,604  | 146.8%     |
|                   |  | 2012 YTD             | 182       | 96         |  | \$2,161,215    | \$3,093,551              | \$198,241             | \$3,291,791  | 152.3%     |
|                   | ************************************** | Subtotal             | 1,85      | 99         |  | \$8,933,234    | \$11,640,670             | \$695,827             | \$12,336,498 | 138.1%     |
| MC Retirees       |  | 2010                 | 159       | 101        |  | \$3,494,870    | \$2,235,536              | \$219,467             | \$2,455,003  | 70.2%      |
|                   |  | 2011                 | 158       | 100        |  | \$3,721,391    | \$2,071,006              | \$236,643             | \$2,307,650  | 62.0%      |
|                   |  | 2012 YTD             | 1.54      | 100        |  | \$2,423,425    | \$1,181,234              | \$184,149             | \$1,365,383  | 56.3%      |
|                   |  | Subtotal             | 157       | 100        |  | \$9,639,686    | \$5,487,777              | \$640,259             | \$6,128,036  | 63.6%      |